

Objection Deadline: April 8, 2011 at 4:00 p.m.
Hearing Date and Time: April 13, 2011 at 10:00 a.m.

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UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

In re:

LEHMAN BROTHERS HOLDINGS INC., *et al.*,

Debtors.

Chapter 11

Case No. 08-13555 (JMP)

(Jointly Administered)

**LIMITED OBJECTION OF THE LEHMAN HONG KONG LIQUIDATORS TO THE
DEBTORS' MOTION PURSUANT TO SECTION 105 OF THE BANKRUPTCY CODE
AND RULE 7026 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE FOR
AUTHORIZATION TO ESTABLISH AND IMPLEMENT PROCEDURES IN
CONNECTION WITH DISCOVERY RELATED TO PLAN CONFIRMATION**

TO: THE HONORABLE JAMES M. PECK
UNITED STATES BANKRUPTCY JUDGE

Paul Brough, Edward Simon Middleton, and Patrick Crowley, the Joint and Several Liquidators, without personal liability, of the Lehman Hong Kong Entities in Liquidation¹ (the "**Lehman Hong Kong Liquidators**") by and through their undersigned counsel, hereby file this objection (the "**Objection**") to the Debtors' Motion Pursuant to Section 105 of the Bankruptcy

¹ The eight **Lehman Hong Kong Entities in Liquidation** are: (i) Lehman Brothers Asia Holdings Limited (in liquidation), (ii) Lehman Brothers Asia Limited (in liquidation), (iii) Lehman Brothers Futures Asia Limited (in liquidation), (iv) Lehman Brothers Securities Asia Limited (in liquidation), (v) LBQ Hong Kong Funding Limited (in liquidation), (vi) Lehman Brothers Nominees (H.K.) Limited (in liquidation), (vii) Lehman Brothers Asia Capital Company (in liquidation), and (viii) Lehman Brothers Commercial Corporation Asia Limited (in liquidation).

Code and Rule 7026 of the Federal Rules of Bankruptcy Procedure for Authorization to Establish and Implement Procedures in Connection with Discovery Related to Plan Confirmation [Docket No. 14867] (the “**Motion**”, as amended by the Notice of Amended Order Establishing Schedule in Connection With Discovery Related to Plan Confirmation and Other Issues [Docket No. 15539] and the Notice of Second Amended Order Establishing Schedule in Connection With Discovery Related to Plan Confirmation and Other Issues [Docket No. 15682], the “**Discovery Procedures**”).² In support of this Objection, the Lehman Hong Kong Liquidators respectfully state the following:

BACKGROUND FACTS

1. On September 15, 2008 (the “**LBHI Petition Date**”), Lehman Brothers Holdings, Inc. (“**LBHI**”) filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”) in the United States Bankruptcy Court for the Southern District of New York. On various dates thereafter, the other Debtors filed voluntary petitions for relief under the Bankruptcy Code.

2. On September 17, 2008 and dates thereafter, the Lehman Hong Kong Liquidators were appointed by the High Court of the Hong Kong Administrative Region (the “**Hong Kong Court**”) as provisional liquidators for the Lehman Hong Kong Entities in Liquidation. On November 19 and November 26 of 2008, the Lehman Hong Kong Liquidators were appointed as liquidators of the Lehman Hong Kong Entities in Liquidation.

3. In May, 2009, the Lehman Hong Kong Liquidators, the Debtors and others agreed to the Cross-Border Insolvency Protocol for the Lehman Brothers Group of Companies [Docket No. 4020] (the “**Lehman Cross-Border Protocol**”). The Lehman Cross-Border Protocol

² Terms used but not defined herein shall have the meanings ascribed to such terms in the Motion or the Discovery Procedures.

generally represents an understanding among the parties thereto that the various estates, liquidators and official representatives should co-operate to the extent practicable.

4. The Lehman Hong Kong Liquidators have timely filed proofs of claim in these cases (collectively, the “**Lehman Hong Kong Claims**”). The Claims arise: (i) under various contracts and agreements, including derivative contracts; (ii) on account of inter-company balances owed by the Debtors to the Lehman Hong Kong Entities in Liquidation; (iii) failed and/or pending trades; (iv) stock lending/borrowing transactions; (v) repurchase and reverse repurchase transactions; (vi) money market placements; (vii) subordinated loans; (viii) custody of securities, cash and other property; (ix) collateralized debt obligations; and (x) against LBHI in connection with various guarantees.

5. Conversely, the Debtors have asserted claims against the estates of the Lehman Hong Kong Entities in Liquidation. Complex issues relating to netting, novation and set off and arising out of the existence of guarantees, complicated intercompany arrangements and certain group custody arrangements, among other factors, mean that the process of establishing, reconciling and resolving the claims between and among the Debtors and the Lehman Brothers Hong Kong Entities in Liquidation is exceptionally complicated and difficult to achieve within a restricted timetable.

OBJECTION

6. The Discovery Procedures provide that they “shall control any and all discovery . . . in connection with Plan Issues arising in connection with the prosecution of or objection to any Plan or Alternative Plan.” (Discovery Procedures, ¶ 1.) The term “Plan Issues” is defined broadly to include any “contested issues of fact and law” in connection with the Plan or any Alternative Plan.

7. Section 6.5(b) of the Plan provides that, unless a foreign affiliate and the Debtors agree to the allowed amounts of the foreign affiliate's claims, the Plan and Disclosure Statement shall constitute a motion, pursuant to Section 502(c) of the Bankruptcy Code, to estimate the foreign affiliate's claim at \$1.00 for voting, distribution and reserve purposes.

8. Read together, the Discovery Procedures, Plan and Disclosure Statement contemplate that allowance and/or estimation of the Lehman Hong Kong Claims are "Plan Issues" and that related discovery must be conducted pursuant to the Discovery Procedures.

9. There are obvious and numerous benefits to consolidating discovery of common factual issues relating to confirmation under the Discovery Procedures. However, consolidating discovery of the discrete factual issues implicated by the allowance of the Lehman Hong Kong Claims produces no such benefit.

10. The Discovery Procedures should be modified so that discovery relating to claims allowance and claims estimation are excluded from the Discovery procedures.

RESERVATION OF RIGHTS

11. Nothing in this Objection shall constitute a waiver of, and the Lehman Hong Kong Liquidators reserve in all respects, their rights under the Lehman Hong Kong Claims, the Bankruptcy Code, and applicable law, including (but not limited to) the rights to dispute any and all objections to such Claims and confirmation of any Plan in these cases.

CONCLUSION

12. WHEREFORE, the Lehman Hong Kong Liquidators request that this Court modify the Discovery Procedures consistent with this Objection, and grant such other and further relief as this Court deems appropriate under the circumstances.

Dated: New York, New York

April 8, 2011

Respectfully submitted,

/s/ Andrew Shaffer

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